

TOWNSHIP OF FAYETTE  
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>TOWNSHIP OF FAYETTE</b>	County <b>HILLSDALE</b>
Fiscal Year End <b>3-31-2005</b>	Opinion Date <b>5-11-2006</b>	Date Audit Report Submitted to State <b>6-1-2006</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

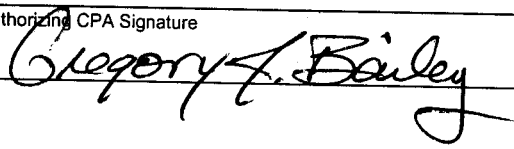
YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>BAILEY, HODSHIRE &amp; COMPANY, PC</b>		Telephone Number <b>(517) 849-2410</b>	
Street Address <b>479 E CHICAGO ST PO BOX 215</b>		City <b>JONESVILLE</b>	State <b>MI</b>
Zip <b>49250</b>			
Authorizing CPA Signature 	Printed Name <b>GREGORY J BAILEY</b>	License Number <b>1101022915</b>	

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# Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Supervisor and  
Members of the Township Board  
Township of Fayette  
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Fayette as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The scope of our examination did not include verification of the fund balances and net assets at April 1, 2004. Therefore, we are unable to express an opinion on the accompanying statements of fund balance and net assets.

In our opinion, except for the effect on the financial statements of the items referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Fayette as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

Township of Fayette

Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 19 through 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Fayette's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Bailey, Hodgshire & Company, P.C.*

May 11, 2006

Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF FAYETTE

The following discussion and analysis of the financial performance for the Township of Fayette (the "Township") provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements which follow this section. As stated in Note 1 to the financial statements, the Township is implementing the requirements of GASB 34 in this year's audit.

### Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2005:

- The assets of the Township exceeded its liabilities at March 31, 2005 by \$670,775 (net assets). Of this amount, \$430,144 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$25,050 during the year.
- As of March 31, 2005, the Township's governmental funds reported combined ending fund balances of \$523,897, an increase of \$27,287. The amount available for spending at the government's discretion (unreserved fund balance) is \$430,144.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Fayette's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Township's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and state shared revenues).

The government-wide financial statements can be found on pages 7 - 8 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF FAYETTE

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Fayette, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Township's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

- Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township of Fayette maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Cemetery Perpetual Care Permanent Fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

- Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as the Tax Fund where property taxes are collected and disbursed on behalf of and to other local units of government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township of Fayette's own programs.

The basic fiduciary fund financial statement can be found on page 11 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 - 18 of this report.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## TOWNSHIP OF FAYETTE

### The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the year. Since this is the first year for which the Township adopted the provisions of GASB Statement No. 34, comparative data is not required. In future years, such information will be presented for the current and preceding year:

TABLE 1 - NET ASSETS	Governmental Activities
Assets:	
Current Assets	\$ 525,284
Capital Assets	<u>146,878</u>
Total Assets	<u>\$ 672,162</u>
Liabilities:	
Current Liabilities	\$ 1,387
Long-term Liabilities	<u>0</u>
Total Liabilities	<u>\$ 1,387</u>
Net Assets:	
Invested in Capital Assets, net of related debt	\$ 146,878
Restricted	93,753
Unrestricted	<u>430,144</u>
Total Net Assets	<u>\$ 670,775</u>
Total Liabilities and Net Assets	<u>\$ 672,162</u>

The following table shows the changes in the net assets during the year:

TABLE 2 - CHANGE IN NET ASSETS	Governmental Activities
Program Revenue:	
Charges for services	\$ 59,254
Operating grants and contributions	0
General Revenue:	
Property tax	93,971
State shared revenue	66,952
Unrestricted investment income	7,133
Miscellaneous	<u>16,066</u>
Total Revenue	<u>\$ 243,376</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOWNSHIP OF FAYETTE

Expenses:

General Government	\$ 125,912
Public Safety	23,595
Public Works	29,112
Cemetery	36,059
Depreciation - Unallocated	<u>3,648</u>
Total Expenses	<u>\$ 218,326</u>

INCREASE IN NET ASSETS	<u>\$ 25,050</u>
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**Governmental Activities**

The Township's governmental revenue decreased approximately 9% for the year. Expenses decreased 17% mainly due to the delay of a bridge project which resulted in less spending in the road budget. There was an increase in legal fees as the result of a few property tax and zoning disputes.

**The Township's Funds**

The Township's major funds include the General Fund and the Cemetery Fund. The General Fund pays for most of the Township's governmental services. The most significant are road work, cemetery, and fire protection. These areas incurred expenses of approximately \$88,766 for the fiscal year.

**General Fund Budgetary Highlights**

The Township Board amended the budget two times to take into account events during the year. Most of the amendments were done near the end of the fiscal year at the February, 2005 meeting.

**Capital Asset and Debt Administration**

At the end of the fiscal year 2005, the Township had \$146,878 (net of depreciation) invested in land, buildings, and equipment. There is no related infrastructure reported in the year end net capital investment because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 16. The Township has no outstanding debt.

**Economic Factors and Next Year's Budgets and Rates**

Road projects will continue to be down for 2005-06 and 2006-07 due to minimal projected increases in State Shared Revenue. Cemetery costs are likely to be higher due to the need for a new mower. Other expenses should remain consistent with prior years.

**Contacting the Township's Management**

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF FAYETTE  
STATEMENT OF NET ASSETS  
MARCH 31, 2005

	Governmental Activities	Total
ASSETS		
Cash & investments	\$ 517,609	\$ 517,609
Taxes receivable	7,275	7,275
Internal balances	400	400
Capital assets - net	<u>146,878</u>	<u>146,878</u>
Total assets	<u>\$ 672,162</u>	<u>\$ 672,162</u>
LIABILITIES		
Accounts payable	\$ 1,387	\$ 1,387
Long-term debt	<u>0</u>	<u>0</u>
Total liabilities	<u>\$ 1,387</u>	<u>\$ 1,387</u>
NET ASSETS		
Investment in capital assets, net of related debt	\$ 146,878	\$ 146,878
Restricted:		
Perpetual care	93,753	93,753
Unrestricted	<u>430,144</u>	<u>430,144</u>
Total net assets	<u>\$ 670,775</u>	<u>\$ 670,775</u>
Total liabilities and net assets	<u>\$ 672,162</u>	<u>\$ 672,162</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF FAYETTE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 125,912	\$ 44,015	\$ 0	\$ 0	\$ (81,897)
Public Safety	23,595	2,000	0	0	(21,595)
Public Works	29,112	2,344	0	0	(26,768)
Cemetery	36,059	10,895	0	0	(25,164)
Depreciation - Unallocated	<u>3,648</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,648)</u>
Total Governmental Activities	<u>\$ 218,326</u>	<u>\$ 59,254</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(159,072)</u>
Total Primary Government	<u>\$ 218,326</u>	<u>\$ 59,254</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(159,072)</u>
Change in net assets:					
Net (expense) revenue					<u>\$(159,072)</u>
General revenue:					
Property taxes levied for general purposes					\$ 93,971
State shared revenue					66,952
Unrestricted investment income					7,133
Miscellaneous					<u>16,066</u>
Total general revenue					<u>\$ 184,122</u>
Change in net assets					\$ 25,050
Net assets - beginning					<u>645,725</u>
Net assets - ending					<u>\$ 670,775</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF FAYETTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2005

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
<b>ASSETS</b>			
Cash & investments	\$ 425,706	\$ 91,903	\$ 517,609
Taxes receivable	7,275	0	7,275
Due from other funds	<u>400</u>	<u>1,850</u>	<u>2,250</u>
Total assets	<u>\$ 433,381</u>	<u>\$ 93,753</u>	<u>\$ 527,134</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payroll taxes payable	\$ 1,387	\$ 0	\$ 1,387
Due to other funds	<u>1,850</u>	<u>0</u>	<u>1,850</u>
Total liabilities	<u>\$ 3,237</u>	<u>\$ 0</u>	<u>\$ 3,237</u>
Fund Balances:			
Reserved for cemetery care	\$ 0	\$ 93,753	\$ 93,753
Unreserved/Undesignated	<u>430,144</u>	<u>0</u>	<u>430,144</u>
Total fund balances	<u>\$ 430,144</u>	<u>\$ 93,753</u>	<u>\$ 523,897</u>
Total liabilities and fund balances	<u>\$ 433,381</u>	<u>\$ 93,753</u>	<u>\$ 527,134</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 523,897
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	\$ 180,261
Deduct: Accumulated depreciation	<u>(33,383)</u>
Net assets of governmental activities	<u>\$ 670,775</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF FAYETTE  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
MARCH 31, 2005

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
<b>REVENUE</b>			
Property taxes	\$ 93,971	\$ 0	\$ 93,971
Administration fees	42,488	0	42,488
State shared revenue	66,952	0	66,952
Cemetery fees	10,295	600	10,895
Charges for services	2,777	0	2,777
Reimbursements	7,269	0	7,269
Licenses, permits, fees	750	0	750
Interest	4,692	2,441	7,133
Miscellaneous	<u>10,442</u>	<u>0</u>	<u>10,442</u>
Total revenue	<u>\$ 239,636</u>	<u>\$ 3,041</u>	<u>\$ 242,677</u>
<b>EXPENDITURES</b>			
General Government	\$ 125,912	\$ 0	\$ 125,912
Public Safety	23,595	0	23,595
Roads	29,112	0	29,112
Cemetery	33,472	0	33,472
Capital Outlay	<u>3,299</u>	<u>0</u>	<u>3,299</u>
Total expenditures	<u>\$ 215,390</u>	<u>\$ 0</u>	<u>\$ 215,390</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 24,246	\$ 3,041	\$ 27,287
FUND BALANCES - April 1, 2004	<u>405,898</u>	<u>90,712</u>	<u>496,610</u>
FUND BALANCES - March 31, 2005	<u>\$ 430,144</u>	<u>\$ 93,753</u>	<u>\$ 523,897</u>

Reconciliation of Statement of Revenue, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds \$ 27,287

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital outlay 3,299

Gain from sale of fixed assets 699

Deduct: Depreciation expense (6,235)

Change in net assets of governmental activities \$ 25,050

The accompanying notes are an integral part of this statement.

TOWNSHIP OF FAYETTE  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
MARCH 31, 2005

ASSETS

Cash

\$ 83,615

LIABILITIES

Due to Township general fund

\$ 400

Due to other governmental units

83,215

\$ 83,615



TOWNSHIP OF FAYETTE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Fayette is located in Hillsdale County, Michigan, and comprises a population of approximately 1,013 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Fayette conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:  
A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.  
Financial statements prepared using full accrual accounting for all of the Township's activities, including fixed assets (buildings, equipment, vehicles, etc.)
- A change in the fund financial statements to focus on major funds.

The Township has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of significant accounting policies used by the Township of Fayette:

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

**Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements (the statement of net assets and the statement of activities) report information about the Township as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. These statements include the financial activities of the primary government, except for fiduciary funds.

TOWNSHIP OF FAYETTE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Measurement Focus and Basis of Accounting**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

**Financial Statement Presentation**

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Permanent Fund - accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

TOWNSHIP OF FAYETTE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally, the Township reports the following fund type:

**Fiduciary Fund/Trust and Agency Fund**

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Assets, Liabilities, and Net Assets**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	39 years
Equipment	5 to 15 years

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TOWNSHIP OF FAYETTE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information** - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Township incurred expenditures in the general fund which were in excess of the amounts appropriated, as follows:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government			
Assessor	26,346	27,042	696
Boards of review, appeals, planning	1,400	2,109	709
Cemetery	30,000	33,472	3,472
Capital Outlay	0	3,299	3,299

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Following are the components of the Township's bank deposits at March 31, 2005:

Checking Accounts	\$ 161,250
Savings Accounts	2,447
Certificates of Deposit	<u>353,912</u>
Total	<u>\$ 517,609</u>

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). At March 31, 2005, the carrying amount of the Township's deposits was \$517,609 and the bank balance was \$733,805. Of the bank balance, \$190,628 was covered by federal depository insurance and \$543,177 was uninsured.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States

TOWNSHIP OF FAYETTE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2005, the Township's deposits are in accordance with statutory authority.

**NOTE 4 - RECEIVABLES**

Receivables at March 31, 2005, consist of property taxes and are considered collectible in full.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the Township's governmental activities was as follows:

	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Primary Government:				
Capital assets not being depreciated				
Land	\$ 25,000	\$ 0	\$ 0	\$ 25,000
Capital assets being depreciated				
Buildings & Improvements	\$ 127,895	\$ 0	\$ 0	\$ 127,895
Equipment	25,994	5,749	(4,377)	27,366
Total capital assets being depreciated	\$ 153,889	\$ 5,749	\$ (4,377)	\$ 155,261
Less: accumulated depreciation:				
Buildings & Improvements	\$ (15,569)	\$ (3,594)	\$ 0	\$ (19,163)
Equipment	(14,205)	(2,641)	2,626	(14,220)
Total accumulated depreciation	\$ (29,774)	\$ (6,235)	\$ 2,626	\$ (33,383)
Total capital assets being depreciated - net	\$ 124,115	\$ (486)	\$ (1,751)	\$ 121,878
Total capital assets, net	<u>\$ 149,115</u>	<u>\$ (486)</u>	<u>\$ (1,751)</u>	<u>\$ 146,878</u>

Depreciation expense was charged to functions/programs of the Township as follows:

General Government - Cemetery	\$ 2,587
Unallocated	3,648
Total	<u>\$ 6,235</u>

TOWNSHIP OF FAYETTE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at March 31, 2005, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 400	Tax Collection Fund	\$ 400
Permanent Fund - Cemetery	<u>1,850</u>	General Fund	<u>1,850</u>
	<u>\$ 2,250</u>		<u>\$ 2,250</u>

Interfund transfers during the year consisted of the following:

Transfer from Tax Collection Fund to General Fund	\$ 134,603
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The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund. The amount due to the Permanent Fund from the General Fund represents the portion of proceeds from sales of cemetery lots that is allocated to perpetual care.

**NOTE 7 - PROPERTY TAXES**

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2004 was .9011 mills for general operations on a total state taxable valuation of approximately \$97,215,000. A portion of this tax (\$21,367 in 2004-05) is captured by the Village of Jonesville's Local Development Finance Authority (LDFA) and Downtown Development Authority (DDA). The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

**NOTE 8 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

**NOTE 9 - UNEMPLOYMENT TAXES**

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

TOWNSHIP OF FAYETTE  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 10 - RESTATEMENTS**

As of and for the year ended March 31, 2005, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

As a result of implementing these pronouncements for the year ended March 31, 2005, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balances of General and Cemetery Fund as of March 31, 2004	\$ 496,610
Add: governmental capital assets as of March 31, 2004	178,889
Deduct: accumulated depreciation as of March 31, 2004, on the above governmental assets	<u>(29,774)</u>
Governmental net assets, restated, as of March 31, 2004	<u><u>\$ 645,725</u></u>

REQUIRED SUPPLEMENTARY INFORMATION



TOWNSHIP OF FAYETTE  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 405,898	\$ 405,898	\$ 405,898	\$ 0
Resources (inflows)				
Township Tax Levy	\$ 90,000	\$ 90,000	\$ 72,407	\$ (17,593)
425 Agreement	24,000	24,000	20,739	(3,261)
Mobile Home Site Tax	825	825	825	0
Administration Fees	30,000	30,000	42,488	12,488
State Shared Revenue	68,117	68,117	66,952	(1,165)
Charges for Services	6,000	6,000	777	(5,223)
Cemetery Fees	16,000	16,000	10,295	(5,705)
Licenses and Permits	750	750	750	0
Fire Run Charges	5,150	5,150	2,000	(3,150)
Interest Earnings	900	900	4,692	3,792
Reimbursements	500	500	7,269	6,769
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>10,442</u>	<u>9,442</u>
Amounts available for appropriation	<u>\$ 649,140</u>	<u>\$ 649,140</u>	<u>\$ 645,534</u>	<u>\$ (3,606)</u>
Charges to appropriations (outflows)				
General Government				
Supervisor	\$ 7,000	\$ 7,000	\$ 6,447	\$ (553)
Clerk	16,210	16,210	16,210	0
Deputy Clerk	4,000	4,000	4,000	0
Treasurer	11,040	11,040	11,040	0
Deputy Treasurer	950	950	950	0
Assessor	23,346	26,346	27,042	696
Trustees	2,500	2,500	2,400	(100)
Boards of review, appeals, planning	1,100	1,400	2,109	709
Buildings and grounds	2,000	2,000	600	(1,400)
Township hall	20,000	5,000	4,059	(941)
Professional fees	2,500	4,500	4,169	(331)
Elections	2,000	1,500	1,416	(84)
Fringe benefits, insurance, other	<u>42,000</u>	<u>67,000</u>	<u>45,470</u>	<u>(21,530)</u>
Total General Government	\$ 134,646	\$ 149,446	\$ 125,912	\$ (23,534)
Public Safety				
Fire services contract	24,000	24,000	23,595	(405)
Roads	54,596	39,796	29,112	(10,684)
Cemetery	30,000	30,000	33,472	3,472
Capital Outlay	<u>0</u>	<u>0</u>	<u>3,299</u>	<u>3,299</u>
Total charges to appropriations	<u>\$ 243,242</u>	<u>\$ 243,242</u>	<u>\$ 215,390</u>	<u>\$ (27,852)</u>
End of year fund balance	<u>\$ 405,898</u>	<u>\$ 405,898</u>	<u>\$ 430,144</u>	<u>\$ 24,246</u>

TOWNSHIP OF FAYETTE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
MARCH 31, 2005

**NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

During the year, the Township incurred expenditures in the general fund which were in excess of the amounts appropriated, as follows:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government			
Assessor	26,346	27,042	696
Boards of review, appeals, planning	1,400	2,109	709
Cemetery	30,000	33,472	3,472
Capital Outlay	0	3,299	3,299

All other expenditures within the general fund were within budgeted appropriations.

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF FAYETTE  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
CURRENT TAX COLLECTION FUND  
FOR THE YEAR ENDED MARCH 31, 2005

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2005</u>
ASSETS				
Cash	<u>\$ 191,561</u>	<u>\$ 3,648,680</u>	<u>\$ 3,756,626</u>	<u>\$ 83,615</u>
LIABILITIES				
Due to Other Funds	\$ 15,322	\$ 128,913	\$ 143,835	\$ 400
Due to Other Governments	<u>176,239</u>	<u>3,519,767</u>	<u>3,612,791</u>	<u>83,215</u>
	<u>\$ 191,561</u>	<u>\$ 3,648,680</u>	<u>\$ 3,756,626</u>	<u>\$ 83,615</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire  
& Company, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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May 11, 2006

To the Supervisor and  
Members of the Township Board  
Township of Fayette

In connection with our audit of the Township of Fayette for the year ended March 31, 2005, we would like to make the following comments and recommendations:

1. In our examination of invoices which support Township expenditures, we noted that support was lacking for certain items. We again recommend that the Township develop a "voucher" or other "request for payment" form to be used by certain persons who are being paid by the Township for goods and services. Examples include election workers, cemetery foundation installer, and board of review members.
2. In the process of collecting cemetery perpetual care money, we again recommend that direct deposits be made to the cemetery account. During the year, \$600 in perpetual care fees were deposited to the General Fund. This amount needs to be transferred to the cemetery bank account from the General Fund account, along with at least an additional \$1,250 from prior years.
3. There were a few accounts that had expenditures in excess of budgeted amounts, which is a violation of State budgeting laws. The Board should continue to monitor the budgets throughout the year to prevent any over-expenditure.
4. The due date for local government audits is six months after the fiscal year end (September 30 for Fayette Township). The adoption of GASB 34 caused some of this year's delay, along with a late start which pushed us into our tax season rush. We apologize for any inconvenience this may have caused.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,



Bailey, Hodshire & Company, P.C.  
Certified Public Accountants